

Massachusetts Electric

A National Grid Company



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Counsel

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By Overnight Mail

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

Re: Massachusetts Electric Company and Nantucket Electric Company, Docket No. D.T.E. 99-47

Dear Secretary Cottrell,

On behalf of Massachusetts Electric Company and Nantucket Electric Company (together "Mass. Electric" or "the Company"), I am filing Mass. Electric's Year 2000 performance results under its Service Quality Plan ("the Plan") as established in the above-captioned docket. In that docket, the Department approved the implementation of the Plan for Mass. Electric in advance of a statewide program. Further, this Plan is subject to modification, in accordance with the terms of the Rate Plan and Merger Settlement Agreement ("Settlement Agreement") in Docket No. D.T.E. 99-47, based upon the Department's recent order in Docket No. D.T.E. 99-84. Based on actual performance results for the year 2000 since the effective date of this Plan, Mass. Electric has accumulated a net incentive of \$3.675 million.

Mass. Electric's Plan, as described in detail in Attachment 10 of the Company's Settlement Agreement, allows for penalties and incentives under performance standards in the three areas of reliability, customer service, and safety. The standards under this Plan were effective on the merger date of Mass. Electric with Eastern Edison Company ("Eastern Edison"), as provided for in the Settlement Agreement, which was May 1, 2000. Since the performance standards are based on annual results, the Company has measured performance for the calendar year 2000 and adjusted the dollar value of the applicable penalty or incentive to reflect the fact that the standards were only operable for eight months of the year 2000 (May 2000 through December 2000); i.e., the annual penalty/incentive was multiplied by two-thirds (8 months ÷ 12 months). Service quality results for the first four months of 2000 were measured against Mass. Electric and Eastern Edison's individual service quality plans contained in their Restructuring Settlement Agreements in Docket Nos. D.P.U./D.T.E. 96-25 and D.P.U./D.T.E. 96-24, respectively. The Company reported to the Department on December 28, 2000 under these respective dockets that there were no service quality penalties for the period January 2000 through April 2000.

Attachment 1 provides a summary of each performance standard under the areas of reliability, customer service, and safety. Provided in this attachment for each performance standard are: (i) a description of each performance standard; (ii) the performance levels for the year 2000 with their related dollar values; and (iii) the actual year 2000 annual results with the applicable annual penalty or incentive.

Attachment 2 provides the Company's calculation of the annual and partial year penalty or incentive for each of the performance standards for the year 2000. The Company also reflects in its penalty/incentive calculation a linear determination of each penalty and incentive for performance results falling between 0 and 1 standard deviation and 1 and 2 standard deviations, as provided for in the Merger Settlement Agreement. The annual net performance result is an incentive of \$5.514 million, as shown in Column (h). The amount for the eight-month period of May 2000 through December 2000 is two-thirds of this amount, or \$3.675 million as shown in Column (i). This amount will be carried forward into future years to offset any service quality penalties, should there be any, as provided for in the Merger Settlement Agreement.

Attachment 3 is being provided for informational purposes only. This attachment shows Mass. Electric's performance levels for the year 2001. Average performance has been updated to reflect the performance data of the most recent five years, if available, including year 2000 results, as directed in the Plan. The standard deviation applied to the new average has been fixed at the standard deviation determined for the year 2000 performance standards, and this standard deviation is applied to the average to arrive at the 2001 performance levels. This is provided for in the Plan (p. 1 of 12 of Attachment 10 of the Merger Settlement Agreement, D.T.E. 99-47).

Thank you for your attention to Mass. Electric's Service Quality Report for the year 2000.

Very truly yours,

Amy G. Rabinowitz
Attorney for
Massachusetts Electric Company and
Nantucket Electric Company

cc: Joseph Rogers, Office of the Attorney General
Ron LeComte, Department of Telecommunications and Energy
Paul Afonso, Department of Telecommunications and Energy
Kevin Brannelly, Department of Telecommunications and Energy
D.T.E. 99-47 Service List